

KENTUCKY ECONOMIC INDICATORS

December 2008 as of March 3, 2009

KY Composite Index of Leading Indicators decreased by 8.0 percent in December.

- The Leading Index has decreased for the fifth consecutive month.
- The month-over-same-month-last-year growth rate declined for the thirteenth consecutive month with -4.9 percent growth.
- Component indicators were mostly negative for December, 1:4.
 - KY Labor Intensity Index decreased 3.9 percent.
 - KY Index of Initial UI Claims decreased by 15.8 percent.
 - US Retail Sales decreased by 31.0 percent.
 - US Manufacturer's New Orders Index decreased by 22.4 percent.
- + The Louisville Help Wanted Index increased by one points to 9.

Component weights for December are 68.7, 13.6, 11.4, 5.1 and 1.3 respectively.

KY Composite Index of Coincident Indicators decreased by 11.3 percent in December.

- The Coincident Index growth is negative for the ninth time in 2008.
- The month-over-same-month-last-year growth rate is negative for the sixth consecutive month with -3.2 percent growth.
- The coincident components leaned negative for December, 1:2.
 - KY Non-farm Employment decreased 9.7 percent.
 - US Industrial Production Index decreased 25.0 percent.
- + US Personal Income Less Transfers increased 0.2 percent.

Component weights for December are 39.5, 27.6 and 19.7 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

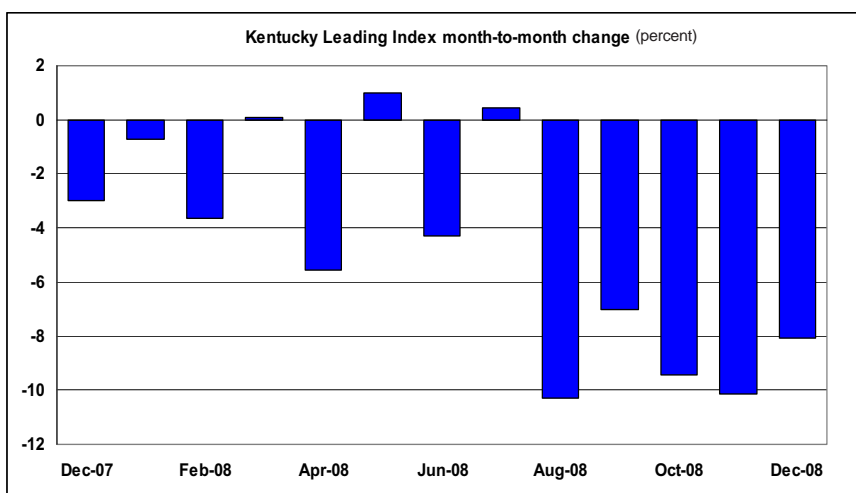
December's decline marks the fifth consecutive decrease in the Kentucky Leading Index. Nearly every economic indicator became worse in December as aggregate demand continues to fall and firms continue to cut back on output and employment. US Retail Sales was the biggest loser of the five components for December. US Retail Sales declined by 31.0 percent versus November, which is the sixth consecutive month of significant losses. Motor vehicles and parts retail sales, which makes up 17 percent of US Retail Sales, declined by \$18.8 million (24.6 percent) compared to December 2007. Gasoline station sales lost \$14.3 million (35.2 percent) compared to December 2007. Gasoline station sales make up eight percent of total US Retail Sales. The losses in these two categories make up 83 percent of the \$39.9 million in total US Retail Sales losses from December 2007 to December 2008. Retail sales at health and personal care stores is the only category of Retail Sales which experienced any significant growth with 5.5 percent growth over December 2007.

The Kentucky Index of Initial Claims for unemployment benefits declined for the seventh consecutive month with a 15.8 percent decline in December. This is the lowest this index has fallen since November 1982. December 2008 was a particularly consequential month for Kentucky first payments. First payments increased by 89.2 percent over December 2007. This increase is a particularly devastating figure because first payments in December 2007 already experienced a sizable increase over the previous year, a 42.8 percent increase. The December 2008 growth represents an increase of 9,442 seasonally adjusted unemployed persons compared to December 2007. This is the ninth worst level of first payments in the history of the Kentucky UI system. US Initial Claims also increased strongly with 60.4 percent growth, representing an increase of 53,000 unemployed persons compared to December 2007. This is the tenth consecutive month of double-digit growth in US Initial Claims. The hardest-hit supersector in Kentucky has been construction employment, which has fallen 12.2 percent (10,600 seasonally adjusted jobs) compared to December 2007. The largest decline in absolute number of workers, however, is in manufacturing, which lost 15,900 seasonally adjusted jobs (6.3 percent) since December 2007.

The US Manufacturer's New Orders Index also fell sharply in December 2008, the sixth consecutive decline this year. The New Orders Index only increased one time in 2008 and that was in June with a conservative 4.6 percent gain. On net the index has lost 19.1 percent since December 2007. This is the lowest that the index has been since September 1993. This is evidence that firms' requests for intermediate goods continues to suffer from decreasing aggregate demand. It also suggests that producers of final goods anticipate continued weakness in consumption and existing inventories alone will be able to satisfy consumer demand.

The Kentucky Labor Intensity Index, which has the highest weight in the Kentucky Leading Index, declined for the fifth consecutive month with a 3.9 percent decline. The Labor Intensive Index increased only twice in 2008, which occurred in January and July. On net the index is down 1.3 percent compared to December 2007. Employment in all five manufacturing sectors in the Kentucky Labor Intensity Index declined compared to November 2008. Fabricated metals employment declined the most with a loss of 400 seasonally adjusted workers (2.2 percent) compared to November 2008. Transportation equipment employment suffered the largest net decline in 2008 with a loss of 5,300 seasonally adjusted workers, a 9.9 percent decline. Meanwhile, wood products employment declined by 5.3 percent and fabricated metals employment declined by 5.0 percent. Overall, Kentucky manufacturing employment has lost a net 15,900 seasonally adjusted jobs in 2008, a 6.3 percent decline. Kentucky manufacturing employment suffered considerable losses during and following the 2001 recession. Manufacturing employment seemed to reach a bottom in early 2003 and remained relatively flat for three consecutive years. Kentucky manufacturing employment started to experience some softness even before the 2007 recession started, right around early to mid 2006. Since January 2006, Kentucky manufacturing employment has lost a net 24,300 seasonally adjusted jobs.

The US Industrial Production Index lost 25.0 percent for December. This is the sixth consecutive decline in this index. December's losses are the third largest losses since 1978. The largest single-month loss was in September 2008, and the second largest loss was in May 1980. The index has lost 8.1 points (7.3 percent) in just six months. Meanwhile, the index has lost 9.4 points (8.4 percent) since January 2008. In absolute magnitudes, this 12-month decline is already larger than that experienced in the 2001, 1990 and 1980-81 recessions. As aggregate demand continues to fall back, firms will become even more reluctant to keep producing at the same already-reduced quantities of 2008. Disposable income is being spent on different sets of goods than they were 24 months ago. Housing purchases and automobile purchases are down by over 15 percent each.



The consumer price index for all urban consumers for all goods has declined sharply in each of the last three months. The CPI is just slightly below its December 2007 level. This is largely a function of energy prices declining, as evidenced by the CPI excluding Energy's continuous rise during the last year. In fact, the CPI excluding Energy has not declined a single month in the last two years. Food prices have fallen slightly in the last few months, but the majority of the downward pressure comes from energy commodities and reduced aggregate demand.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.

About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted General Fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals; and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** Inflection points used to determine turning points.
- **U.S. Manufacturer's New Orders Index:** This index has two components: U.S. Manufacturer's New Orders for Nondefense Capital Goods and U.S. Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Notes:

- Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- More information is available on our website, <http://www.osbd.ky.gov/>.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2008												
	2007 DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
KY Leading Index (1992=100)	112.2	112.1	111.7	111.8	111.2	111.3	110.9	111.0	110.0	109.3	108.4	107.4	106.7
% Chg Previous Month SAAR	-3.0	-0.7	-3.6	0.1	-5.5	1.0	-4.3	0.4	-10.3	-7.0	-9.4	-10.1	-8.0
% Chg Same Month Last Year	-0.9	-0.4	-0.6	-1.2	-1.2	-1.4	-1.6	-1.5	-2.0	-2.8	-3.6	-4.5	-4.9
KY Leading Index Diffusion Index	56.7	60.0	60.0	53.3	50.0	50.0	50.0	43.3	43.3	36.7	33.3	26.7	26.7
KY Coincident Index (1992=100)	135.8	135.9	135.7	135.7	135.3	135.2	135.0	135.2	134.5	132.5	133.3	132.8	131.5
% Chg Previous Month SAAR	0.7	0.1	-1.2	-0.4	-3.3	-0.9	-1.7	1.5	-5.6	-16.4	6.9	-3.9	-11.3
% Chg Same Month Last Year	1.2	1.4	1.0	0.9	0.5	0.3	0.0	-0.1	-0.6	-2.2	-1.7	-2.2	-3.2
KY Non-farm Employment (000s)	1,880.0	1,881.5	1,880.5	1,881.6	1,878.5	1,879.1	1,875.8	1,884.6	1,877.4	1,865.5	1,865.0	1,859.0	1,843.2
% Chg Previous Month SAAR	1.4	1.0	-0.6	0.7	-2.0	0.4	-2.1	5.8	-4.5	-7.3	-0.3	-3.8	-9.7
% Chg Same Month Last Year	1.0	1.2	1.2	1.0	0.8	0.5	0.3	0.8	0.5	-0.3	-0.5	-1.0	-2.0
KY Private Services Employment (000s)	1,188.9	1,194.4	1,193.5	1,190.8	1,189.5	1,185.2	1,183.5	1,188.7	1,188.3	1,181.6	1,182.9	1,175.5	1,167.2
% Chg Previous Month SAAR	1.9	5.7	-0.9	-2.7	-1.3	-4.3	-1.7	5.5	-0.5	-6.6	1.4	-7.2	-8.2
% Chg Same Month Last Year	1.2	1.6	1.7	1.1	1.1	0.2	0.0	0.6	0.5	-0.1	-0.2	-1.0	-1.8
KY Mfg Employment (000s)	250.7	250.6	250.4	253.3	250.7	251.8	247.9	252.3	245.4	242.8	240.4	239.2	234.8
% Chg Previous Month SAAR	-10.8	-0.5	-1.0	14.8	-11.6	5.4	-17.1	23.5	-28.3	-12.0	-11.2	-5.8	-20.0
% Chg Same Month Last Year	-3.3	-3.2	-3.3	-0.8	-2.8	-2.3	-4.0	-1.6	-2.9	-4.7	-5.3	-5.5	-6.3
KY Unemployment Rate (%)	5.3	5.2	5.3	5.7	5.6	6.2	6.3	6.7	6.8	7.1	6.8	7.0	7.8
KY Index of Initial UI Claims (1992=100)	102.0	102.8	102.2	101.0	100.8	101.4	100.2	100.0	99.2	97.8	96.8	96.0	94.6
% Chg Previous Month SAAR	-8.3	10.1	-6.3	-12.9	-2.7	6.7	-13.1	-1.8	-9.9	-14.9	-12.5	-9.0	-15.8
% Chg Same Month Last Year	-2.0	-0.7	-0.5	-2.7	-2.2	-2.4	-3.4	-3.7	-4.0	-5.7	-4.8	-6.5	-7.2
KY Labor Intensity Index (1992=100)	104.6	104.6	104.5	104.5	104.4	104.4	104.0	104.5	104.1	103.8	103.7	103.5	103.2
% Chg Previous Month SAAR	-3.0	0.3	-0.7	-0.1	-1.0	-0.2	-4.3	5.7	-5.2	-3.3	-0.8	-2.0	-3.9
% Chg Same Month Last Year	-0.1	0.0	-0.1	0.0	-0.2	-0.3	-0.6	-0.1	-0.4	-0.8	-1.1	-1.2	-1.3
Louisville HWI (1992=100)	20.0	19.0	18.0	20.0	15.0	15.0	15.0	13.0	11.0	11.0	10.0	8.0	9.0
% Chg Previous Month SAAR	85.1	-46.0	-47.7	254.1	-96.8	0.0	0.0	-82.0	-86.5	0.0	-68.1	-93.1	311.0
% Chg Same Month Last Year	-52.4	-45.7	-41.9	-53.5	-48.3	-50.0	-46.4	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0
GF Total Tax Receipts (\$ mill)	822.3	724.3	564.7	610.5	922.7	610.3	813.5	619.9	614.5	786.1	658.3	674.7	822.2
% Chg Same Month Last Year	-6.7	6.1	3.8	-6.5	37.3	-22.2	3.2	1.9	8.5	-4.4	3.0	8.0	0.0
GF Sales & Use Receipts (\$ mill)	235.2	296.7	205.5	209.6	232.4	238.4	249.0	266.1	251.7	233.6	252.5	216.9	246.9
% Chg Same Month Last Year	-1.5	3.7	6.2	-1.4	14.8	-12.0	2.5	6.0	4.1	-0.8	2.4	-8.1	5.0
GF Income Tax Receipts (\$ mill)	295.4	272.7	235.0	193.6	544.3	261.6	355.3	262.2	270.9	343.6	286.9	269.3	303.4
% Chg Same Month Last Year	9.7	34.9	3.5	-5.1	92.1	-22.6	22.9	5.2	12.6	3.2	8.0	13.7	2.7

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2007												2008											
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC											
US Leading Index (2004=100)	103.0	102.5	102.2	102.0	102.1	102.0	102.1	101.4	100.6	100.6	99.6	98.9	99.1											
% Chg Previous Month SAAR	-1.2	-5.7	-3.5	-2.3	1.2	-1.2	1.2	-7.9	-9.1	0.0	-11.3	-8.1	2.5											
% Chg Same Month Last Year	-1.6	-1.8	-1.8	-2.2	-1.9	-2.2	-1.9	-3.2	-3.2	-3.2	-3.8	-4.1	-3.8											
US Coincident Index (1996=100)	107.1	107.0	106.8	106.7	106.7	106.5	106.4	106.2	105.8	104.6	104.8	104.3	103.8											
% Chg Previous Month SAAR	-1.1	-1.1	-2.2	-1.1	0.0	-2.2	-1.1	-2.2	-4.4	-12.8	2.3	-5.6	-5.6											
% Chg Same Month Last Year	1.0	1.0	0.7	0.4	0.3	0.0	-0.2	-0.7	-1.1	-2.3	-2.2	-2.7	-3.1											
US Non-farm Employment (Mil.)	138.2	138.1	137.9	137.8	137.7	137.5	137.4	137.2	137.1	136.7	136.4	135.8	135.2											
% Chg Previous Month SAAR	1.0	-0.6	-1.2	-1.1	-1.4	-1.2	-1.4	-1.1	-1.5	-2.8	-3.3	-5.1	-5.0											
% Chg Same Month Last Year	0.8	0.7	0.5	0.3	0.2	-0.1	-0.2	-0.3	-0.4	-0.7	-1.1	-1.6	-2.2											
US Service-Providing Employment (Mil.)	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	115.8	115.5	115.1	114.9											
% Chg Previous Month SAAR	1.2	-0.1	0.1	-0.1	0.4	0.0	-0.1	-0.1	-0.6	-2.9	-2.3	-4.1	-2.8											
% Chg Same Month Last Year	1.4	1.3	1.1	1.0	0.9	0.8	0.7	0.6	0.4	0.1	-0.3	-0.7	-1.1											
US Manufacturing Employment (000s)	13,772.0	13,737.0	13,690.0	13,644.0	13,592.0	13,571.0	13,527.0	13,487.0	13,426.0	13,357.0	13,234.0	13,130.0	12,981.0											
% Chg Previous Month SAAR	-1.9	-3.0	-4.0	-4.0	-4.5	-1.8	-3.8	-3.5	-5.3	-6.0	-10.5	-9.0	-12.8											
% Chg Same Month Last Year	-1.9	-2.0	-2.1	-2.2	-2.4	-2.4	-2.6	-2.9	-3.0	-3.4	-4.1	-4.8	-5.7											
US Unemployment Rate (%)	4.9	4.9	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2											
US Manufacturer's New Orders Index (1996=100)	130.5	126.8	125.9	125.4	123.6	122.0	122.5	122.3	116.7	114.7	111.2	107.8	105.5											
% Chg Previous Month SAAR	9.8	-28.9	-8.3	-4.5	-16.6	-14.2	4.6	-1.2	-43.1	-18.4	-31.1	-31.6	-22.4											
% Chg Same Month Last Year	-2.5	-1.1	-2.9	-4.9	-7.0	-6.8	-6.5	-9.1	-10.4	-11.4	-14.3	-16.8	-19.1											
US Initial Claims for UI (000s)	344.6	339.2	346.0	374.8	367.3	369.0	390.5	420.1	439.9	474.3	477.8	526.0	552.9											
% Chg Previous Month SAAR	17.1	-17.3	26.9	161.0	-21.5	5.7	97.3	140.3	73.8	146.8	9.2	216.9	81.9											
% Chg Same Month Last Year	7.5	7.7	6.5	20.4	14.3	19.6	22.6	36.1	35.2	49.0	44.8	54.7	60.4											
US Industrial Production Index (1992=100)	112.4	112.6	112.3	112.0	111.4	111.2	111.3	111.2	109.8	105.3	107.0	105.7	103.2											
% Chg Previous Month SAAR	1.0	2.0	-3.3	-2.5	-6.1	-2.4	0.7	-0.5	-14.7	-39.5	21.4	-13.2	-25.0											
% Chg Same Month Last Year	2.0	2.5	1.6	1.5	0.4	0.2	-0.1	-0.7	-2.0	-6.2	-4.3	-5.9	-8.2											
US Personal Income Less Trans. (Bil. 2000 chnd)	8,495.0	8,466.1	8,464.9	8,465.1	8,435.2	8,420.8	8,384.1	8,362.3	8,377.5	8,341.1	8,391.4	8,444.0	8,445.7											
% Chg Previous Month SAAR	-0.5	-4.0	-0.2	0.0	-4.2	-2.0	-5.1	-3.1	2.2	-5.1	7.5	7.8	0.2											
% Chg Same Month Last Year	1.4	1.0	0.5	0.3	0.1	0.0	-0.6	-1.2	-1.3	-1.9	-1.4	-0.6	-0.6											
CPI, All Urban (1982-84=100)	211.7	212.5	212.9	213.7	214.0	215.0	217.0	218.6	218.6	218.7	216.9	213.3	211.6											
% Chg Previous Month SAAR	3.3	4.4	2.1	4.6	1.9	6.0	11.7	9.1	-0.2	0.5	-9.4	-18.3	-9.1											
% Chg Same Month Last Year	4.2	4.4	4.2	4.1	3.9	4.0	4.8	5.4	5.3	4.9	3.7	1.0	-0.1											
US Retail Sales (\$Billions)	381.0	381.7	378.1	380.0	380.8	383.8	384.1	381.6	379.0	373.0	360.3	351.8	341.1											
% Chg Previous Month SAAR	-9.5	2.2	-10.7	6.2	2.5	9.8	0.9	-7.5	-7.9	-17.3	-34.1	-25.0	-31.0											
% Chg Same Month Last Year	4.3	4.4	2.7	2.3	2.8	2.0	3.1	2.0	1.3	-1.4	-5.1	-8.4	-10.5											
US Consumer Expectations (1966=100)	65.6	68.1	62.4	60.1	53.3	51.1	49.2	53.5	57.9	67.2	57.0	53.9	54.0											
% Chg Previous Month AR	-10.4	56.6	-65.0	-36.3	-76.3	-39.7	-36.5	173.3	158.2	497.4	-86.1	-48.9	2.2											
% Chg Same Month Last Year	-19.2	-22.3	-23.4	-23.6	-29.8	-34.1	-34.1	-34.4	-21.4	-9.3	-18.7	-18.6	-17.7											
Ave. Prime Interest Rate (%; NSA)	7.33	6.98	6.00	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	4.00	3.61											